

NRPT COMMUNICATIONS, INC.

"Providing universal service in rural Texas"

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December 6, 1996
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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Dear Mr. Caton:

RE: Comments of NRPT Communications, Inc. In CC Docket No. 96-45 Federal-State
Joint Board Recommended Decision on Universal Service

Enclosed are the original and four copies of the comments of NRPT Communications, Inc.
in the above-captioned proceeding.

Please indicate receipt by stamping the copy that is in the self-addressed stamped envelope
and returning to us. Thank you for considering the views of our rural customers with
respect to these important universal service issues.

Respectfully submitted,

Ken Matzdorff

Ken Matzdorff *✓*

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Telecommunications Reports
Service List

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board)	CC Docket No. 96-45
Recommended Decision)	
on Universal Service)	

COMMENTS OF NRPT COMMUNICATIONS, INC.

NRPT Communications, Inc. (NRPT) respectfully submits comments in this important proceeding dealing with the future of universal service in rural America. NRPT serves a 400 square mile area in rural Texas, and is currently upgrading, to universal service standards, the switching and outside plant facilities for its 1100 customers. NRPT is concerned that a number of the recommendations found in the Joint Board's Recommended Decision (JBRD) do not properly balance the implementation of a competitive local exchange market with the need to provide the proper mechanisms to permit the continuation of rural infrastructure investment and the resultant continuation of universal service in rural America.

A summary of NRPT's comments is as follows:

- 1) For recently acquired rural properties, the date used to freeze the amounts per line should reconcile with the cost data in the applicable study area waiver.
- 2) Any proxy developed for application to rural companies should permit the recognition of the differences between large urban LECs and small rural LECs.
- 3) An evolving definition of universal service should also provide for an evolving explicit funding mechanism.
- 4) The funding base for universal service should include both interstate and intrastate retail revenues.
- 5) A regulatory policy that limits support to one residential line does not promote universal service in rural America.

1) THE COMMISSION SHOULD CLARIFY THE RECOMMENDATION SO THAT THE MANDATED MODERNIZATION AND COST DATA INCLUDED IN THE APPLICABLE STUDY AREA WAIVER REPRESENTS THE FROZEN AMOUNT PER LINE FOR ACQUIRED RURAL PROPERTIES.

It is debatable whether the recommendation to freeze investment levels in loop and switching investment for LECs at the end of 1995 and 1996, respectively, is prudent public policy. In the case of rural properties that have recently been acquired, such as NRPT, the negative impact of the recommended freeze is more dramatic. The benefit to the customer of the change in ownership has been in the investments made to upgrade physical facilities and provide an acceptable level of universal communications service. The Commission has recognized this need for facilities modernization in many of the study area waiver applications, including our waiver for NRPT. The timing for these upgrades that is achievable, and thus the resultant cost data submitted in the waiver process, do not necessarily coincide with year end 1995 and 1996 dates. NRPT, and other similarly situated LECs, have implemented these modernization programs in order to meet the commitments made to rural customers as the acquiring company.

We believe that it was the intent of the Joint Board and the Commission to see these obligations fulfilled. We urge the Commission to issue in its final rules clarifying language so that these upgrade costs are reflected in the frozen amounts that will be used to determine universal service support during the transition period. The language should also specify that the costs reflected in the frozen amount be for an annualized period and only be included in the base of the acquiring company.

2) ANY PROXY METHODOLOGY PRESCRIBED FOR APPLICATION TO SMALL RURAL CARRIERS MUST REFLECT THE DIFFERENCES IN OPERATING CHARACTERISTICS BETWEEN LARGE URBAN PROVIDERS AND SMALL RURAL COMMUNICATIONS COMPANIES.

We agree with the Joint Board in the Recommended Decision where they state at paragraph 271 that “none of the models adequately represents the costs for rural carriers as all the models are currently based on expense data for large LECs serving predominately urban areas.”

In addition, representative factors for depreciation, cost of capital, and cable fill percentages presently, and will likely continue to, reflect the inherently higher risk of rural carriers that serve a dispersed population base.

We recommend that the Commission consider the use of wire center/study area based proxies for small companies as census block data may not be appropriate beyond the large company subset. Customers in rural areas are not evenly dispersed. Small company data systems are maintained on a wire center or study area basis.

We pledge to work with the other participants in seeking balanced solutions that will meet the requirements of Section 254 (b)(5) of the Communications Act that revenues necessary for the provision of universal service be “sufficient, predictable, and specific”.

3) AS THE DEFINITION OF UNIVERSAL SERVICE EVOLVES, SO TOO MUST THE EXPLICIT MECHANISMS NEEDED TO FUND UNIVERSAL SERVICE IN RURAL AMERICA.

As the definition of universal service expands over time, so too will the costs to meet these obligations. Notwithstanding the Joint Board's conclusion concerning proxies, adopting a proxy method of determining universal service support does not reduce the real costs of meeting the universal service challenge in rural America.

In fact, the resulting uncertainty created by some of the Recommendations in the JBRD as to future revenue streams could well result in reduced investment in rural infrastructure and have a negative impact on the provision of universal service in rural America.

4) THE FUNDING BASE FOR UNIVERSAL SERVICE CONTRIBUTIONS SHOULD INCLUDE BOTH INTERSTATE AND INTRASTATE RETAIL REVENUES.

NRPT agrees with the JBRD that all carriers providing telecommunications services contribute to universal service support mechanisms in a competitively neutral manner. A funding base that includes all revenues will be a step in the right direction toward competitive neutrality.

However, adoption of a funding base using net revenues is discriminatory toward incumbent local exchange carriers (ILECs), as new entrants will be allowed to offset payments for services to ILECs, resulting in the continuation of the very implicit subsidies that the Commission is seeking to remove.

There are several notable benefits to using retail revenues as the funding base. First, it provides a more equitable assessment to each provider and assists in achieving the goal of competitive neutrality. Second, it is administratively simple. Third, the fund that will result will be specific, predictable and sufficient, thus fulfilling the requirements promulgated in Section 254 (b) (5) of the Communications Act.

5) THE RECOMMENDATION TO LIMIT UNIVERSAL SERVICE SUPPORT TO A SINGLE RESIDENTIAL LINE IS CONTRARY TO THE PRESERVATION OF UNIVERSAL SERVICE AND IS ADMINISTRATIVELY UNWORKABLE.

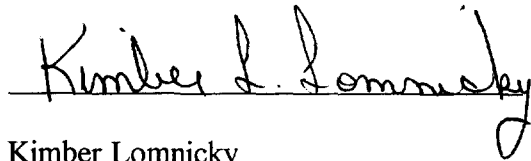
The Joint Board recommends that no support be granted for customer connections at vacation homes or multiline businesses, and a reduced amount be attributed to single-line business connections. Thus, it was recommended that future support be limited to a single connection to the principal residence of the subscriber. This recommendation is flawed from both a policy and procedural perspective.

Such an approach is in conflict with the espoused universal service principle which requires services be provided to rural areas “that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.” Limiting support to one line would not result in reasonably comparable second line rates in rural areas. This limitation would also negatively impact rural economic development.

The approach would also be problematic to administer and enforce. If a customer buys service from two different carriers, which carrier receives support? And, how will either carrier even know that a particular customer has two lines?

Certificate of Service

I, Kimber Lomnicky, certify that I have mailed via first-class mail, postage prepaid, a copy of the foregoing comments to the attached service list.


Kimber Lomnicky

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